

## DEPARTMENT OF FINANCE BILL ANALYSIS

**AMENDMENT DATE:** September 10, 2009  
**POSITION:** Oppose  
**SPONSOR:** State Board of Equalization

**BILL NUMBER:** AB 151  
**AUTHOR:** D. Jones

### **BILL SUMMARY:** Board of Equalization: Headquarters Building Study

Under current law, the Department of General Services (DGS) is authorized to acquire title to real property in the name of the state, and to construct, lease, or transfer state property, when authorized by the Legislature.

This bill would:

- Authorize DGS to investigate and negotiate:
  - The terms of a sale, exchange, lease, or any combination thereof, of all or a portion of the property at 450 N Street, Sacramento, currently occupied by the Board of Equalization (BOE) as BOE headquarters.
  - The use of anticipated net proceeds from that sale, exchange, or lease to acquire the land and facilities necessary to serve as a new headquarters for BOE.
- Specify that DGS is not authorized to dispose of the 450 N Street property or to acquire land and facilities without further legislative approval.
- State the intent of the Legislature to redirect funds from the BOE budget to the DGS budget in the Budget Act of 2010 to reimburse DGS its reasonable costs for actions taken under the provisions of this bill.

### **FISCAL SUMMARY**

Finance concurs with DGS estimates that the investigation contemplated by this bill would cost between \$250,000 and \$400,000.

### **COMMENTS**

Finance opposes this bill for the following reason:

- No additional legislative authority is required for DGS to investigate the possible relocation of BOE, and we note that DGS and BOE are currently working to develop a study that will examine the very points envisioned by this bill. Consequently, the need for this bill is unclear.

Analyst/Principal (0762) C. Hill	Date	Program Budget Manager Mark Hill	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

<b>BILL ANALYSIS</b>	Form DF-43 (Rev 03/95 Buff)
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**ANALYSIS****A. Programmatic Analysis**

Under current law, the Department of General Services (DGS) is authorized to acquire title to real property in the name of the state, and to construct, lease, or transfer state property, when authorized by the Legislature.

In 1992 DGS, on behalf of the state, entered into a 30-year lease-purchase agreement to acquire the 24-story 610,000 square foot property located at 450 N Street as a headquarters building for BOE. In 2007, DGS accelerated the payments under the terms of the lease-purchase agreement and acquired the fee, encumbered by a then \$78 million Pooled Money Investment Board (PMIB) loan.

The building has been subject to a number of issues related to water intrusion since the late 1990s. Extensive repair of the exterior window wall was completed in 2006. Several years of water intrusion caused extensive mold infestation which is currently being remediated. The total costs of the mold remediation and window wall repairs will exceed \$45 million.

In addition to the water intrusion and mold issues, several building systems require extensive renovation and/or replacement because of the building's age. A 2009 survey of the building commissioned by DGS recommended repairs and upgrades which DGS estimates will cost \$18 million over the next five years.

The building is configured to accommodate 2,200 employees. At present, 2,900 employees are assigned to the headquarters facility. The Administration has approved, and the Legislature has appropriated funding for the relocation of approximately 600 employees.

The issues of overcrowding and workforce disruption attendant to the remediation of the water intrusion and mold problems have resulted in a BOE vote to relocate the Board's headquarters.

This bill would:

- Authorize DGS to investigate and negotiate:
  - The terms of a sale, exchange, lease, or any combination thereof, of all or a portion of the property at 450 N Street, Sacramento.
  - The use of anticipated net proceeds from that sale, exchange, or lease to acquire the land and facilities necessary to serve as a new headquarters for BOE.
- Specify that DGS is not authorized to dispose of the 450 N Street property or to acquire land and facilities without further legislative approval. It should be noted that DGS legal staff believes that this bill's broad and general language would inadvertently strip DGS of its existing authority to acquire land and buildings. They believe it would do so via language in Section (1) (c) that states (emphasis added):
 

*"The department is not authorized to dispose of the Sacramento property or acquire land and facilities."*
- State the intent of the Legislature to redirect funds from the BOE budget to the DGS budget in the Budget Act of 2010 to reimburse DGS its reasonable costs for actions taken under the provisions of this bill.

**BILL ANALYSIS/ENROLLED BILL REPORT--(CONTINUED)****Form DF-43****AUTHOR****AMENDMENT DATE****BILL NUMBER**

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**B. Fiscal Analysis**

Finance concurs with DGS estimates that the investigation contemplated by this bill would cost between \$250,000 and \$400,000.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							
	LA	(Dollars in Thousands)							
	CO	PROP							Fund
	RV	98	FC	2009-2010	FC	2010-2011	FC	2011-2012	Code
0860/Equalization	SO	No	-----	See Fiscal Analysis				-----	0001
1760/Dept Gen Svc	SO	No	-----	See Fiscal Analysis				-----	0001